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Legislative Audit Division

State of Montana

Report to the Legislature

March 2002

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 2001

Montana State Library Commission

This report contains no recommendations to the Montana State Library Commission. We issued an unqualified opinion on the financial schedules.

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FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Legislative Audit Division to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

Government Auditing Standards, the Single Audit Act Amendments of 1996 and OMB Circular A-133 require the auditor to issue certain financial, internal control, and compliance reports. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 1999, was issued on March 30, 2000. The Single Audit Report for the two fiscal years ended June 30, 2001, will be issued by March 31, 2002. Copies of the Single Audit Report, when available, can be obtained by contacting:

Single Audit Coordinator
Office of Budget and Program Planning
State Capitol
Helena MT 59620
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Jim Pellegrini, Performance Audit
Tori Hunthausen, IS Audit & Operations
James Gillett, Financial-Compliance Audit

March 2002

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance report on the Montana State Library Commission (Library) for the two fiscal years ending June 30, 2001. The objectives of our audit included determining if the Library's financial schedules presented fairly its changes in fund balances and results of operations for the two fiscal years ending June 30, 2001, assessing the Library's compliance with applicable laws and regulations, and determining if the Library has effective internal controls.

The Library was created in 1929 by law, which is codified in Title 22, chapter 1, MCA. The Library is the focal point for the development and improvement of library services in Montana. It provides general library services to Montana state government and operates under the Statewide Library Resources Program and the Natural Resource Information System Program.

In addition to assisting state government, the Statewide Library Resources Program provides services to public, academic and specialized libraries throughout the state. The services provided include: assisting with information/reference needs, material lending, publications depository, statewide library development, and maintaining the Talking Book Library which provides services for the blind and visually impaired. The Library of Congress provides the majority of playback equipment and recorded books and materials for the Talking Book Library.

The 1983 Legislature established the Natural Resource Information System Program (NRIS) to improve the availability and accessibility of data and information regarding Montana's natural resources. NRIS staff help coordinate efforts and data gathering among state agencies and other organizations which use similar types of

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information to reduce duplication and promote information sharing by establishing a clearing house with referral service links to sources of information. The three main components of NRIS are:

The Montana Natural Heritage Program which maintains a computerized inventory of Montana's animal and plant species as well as information on biological communities and endangered plant and animal types. The Nature Conservancy operates this program under contract with the Library.

The Water Information System which collects information on the location of water resources in the state and maintains data on surface water, ground water, water quality, riparian areas, water rights, and climate data.

The Montana Geographic Information System (GIS) that develops and manages geographic information systems and relational data base management systems. Our office issued a performance audit entitled Geographic Information System (GIS) Implementation and Development in Montana (# 01P-07) in September 2001.

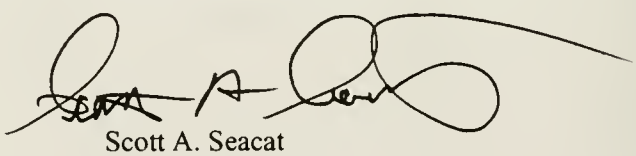
Library operations and grants to public libraries are funded by General Fund appropriations, federal assistance, and a portion of the Coal Severance Tax. NRIS is primarily funded by contracts with state and federal agencies, private entities, and Resource Indemnity Trust Funds.

This report does not contain any recommendations to the Library Commission. Our prior financial-compliance report covering fiscal years 1998 and 1999 included one recommendation which was implemented.

Beginning on page A-1, you will find the Independent Auditor's Report followed by the financial schedules and accompanying notes. We issued an unqualified opinion which means the reader can rely on the information presented. The Library's response to the audit is on page B-1.

We thank the Montana State Library Commission, the state librarian, and the library staff for their cooperation and assistance throughout the audit.

Respectfully submitted,



Scott A. Seacat
Legislative Auditor

Montana State Library Commission

		Term Expires
Dorothy Laird	Whitefish	May 2002
Al Randall	Troy	May 2002
David Johnson	Billings	May 2003
Rosemary Garvey, Chair	Butte	May 2003
Bruce Morton*	Bozeman	May 2004
Ralph Atchley, Vice Chair	Malta	May 2004
Linda McCulloch**	Helena	

* Appointed by the Commissioner of Higher Education for the Montana University System.

** Superintendent of Public Instruction. No term is set.

Administration

Karen Strege, State Librarian

Jim Hill, Program Manager, Natural Resource Information System

Darlene Staffeldt, Program Manager, Statewide Library Resources

Kris Schmitz, Accountant

For additional information regarding the Library contact:

Karen Strege, State Librarian
Montana State Library
1515 East Sixth Avenue
Helena MT 59620-1800

State Librarian e-mail: kstrege@state.mt.us
Internet Web Site: http://msl.state.mt.us

Members of the audit staff involved in this audit were: Hollie Koehler and Paul J. O'Loughlin.

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LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel

Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
Tori Hunthausen, IS Audit & Operations
James Gillett, Financial-Compliance Audit

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying Schedules of Changes in Fund Balances, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out of the Montana State Library Commission for each of the two fiscal years ended June 30, 2001 and 2000. The information contained in these financial schedules is the responsibility of the Library's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the financial schedules are presented on a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The schedules are not intended to be a complete presentation and disclosure of the Library's assets and liabilities.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances of the Montana State Library Commission for each of the two fiscal years ended June 30, 2001 and 2000, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

James Gillett, CPA
Deputy Legislative Auditor

February 8, 2002

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MONTANA STATE LIBRARY COMMISSION
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	General Fund	Special Revenue Fund	Expendable Trust Fund
FUND BALANCE: July 1, 2000	$ (270,004)	$ 54,221	$ 70,538
ADDITIONS			
Budgeted Revenues & Transfers-In		1,251,175	
NonBudgeted Revenues & Transfers-In	15,599	835	11,542
Prior Year Revenues & Transfers-In Adjustments		(993)	
Direct Entries to Fund Balance	1,645,485	593,776	
Total Additions	1,661,084	1,844,793	11,542
REDUCTIONS			
Budgeted Expenditure & Transfers-Out	1,709,014	1,842,631	
NonBudgeted Expenditure & Transfers-Out		52,761	
Prior Year Expenditure & Transfers-Out Adjustments	(667)	(1,585)	
Total Reductions	1,708,347	1,893,807	0
FUND BALANCE: June 30, 2001	$ (317,267)	$ 5,207	$ 82,080

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.

MONTANA STATE LIBRARY COMMISSION
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	General Fund	Special Revenue Fund	Expendable Trust Fund
FUND BALANCE: July 1, 1999	$ (97,253)	$ 12,479	$ 60,881
ADDITIONS			
Budgeted Revenues & Transfers-In		1,396,514	
NonBudgeted Revenues & Transfers-In	14,417	1,011	9,657
Prior Year Revenues & Transfers-In Adjustments		91	
Direct Entries to Fund Balance	1,508,672	598,225	
Total Additions	1,523,089	1,995,841	9,657
REDUCTIONS			
Budgeted Expenditure & Transfers-Out	1,697,827	1,832,119	
NonBudgeted Expenditure & Transfers-Out		122,981	
Prior Year Expenditure & Transfers-Out Adjustments	(1,987)	(1,001)	
Total Reductions	1,695,840	1,954,099	0
FUND BALANCE: June 30, 2000	$ (270,004)	$ 54,221	$ 70,538

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.

MONTANA STATE LIBRARY COMMISSION
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	General Fund	Special Revenue Fund	Expendable Trust Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS				
Taxes	$ 165	$ 363		$ 528
Charges for Services	15,024	2,812		17,836
Investment Earnings			$ 4,691	4,691
Miscellaneous	410	119		529
Grants, Contracts, Donations and Abandonments		267,427	6,851	274,278
Federal		980,296		980,296
Total Revenues & Transfers-In	15,599	1,251,017	11,542	1,278,158
Less: Nonbudgeted Revenues & Transfers-In	15,599	835	11,542	27,976
Prior Year Revenues & Transfers-In Adjustments	0	(993)	0	(993)
Actual Budgeted Revenues & Transfers-In	0	1,251,175	0	1,251,175
Estimated Revenues & Transfers-In	0	1,633,964	0	1,633,964
Budgeted Revenues & Transfers-In Over (Under) Estimated	$ 0	$ (382,789)	$ 0	$ (382,789)
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS				
Charges for Services		$ (15,412)		$ (15,412)
Grants, Contracts, Donations and Abandonments		(54,325)		(54,325)
Federal		(313,052)		(313,052)
Budgeted Revenues & Transfers-In Over (Under) Estimated	$ 0	$ (382,789)	$ 0	$ (382,789)

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment.
Additonal information is provided in the notes to the financial schedules beginning on page A-9.

MONTANA STATE LIBRARY COMMISSION
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	General Fund	Special Revenue Fund	Expendable Trust Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS				
Taxes	$ 461			$ 461
Charges for Services	13,956	$ 189,849		203,805
Investment Earnings			$ 3,790	3,790
Grants, Contracts, Donations and Abandonments		264,659	5,867	270,526
Federal		943,108		943,108
Total Revenues & Transfers-In	14,417	1,397,616	9,657	1,421,690
Less: Nonbudgeted Revenues & Transfers-In	14,417	1,011	9,657	25,085
Prior Year Revenues & Transfers-In Adjustments	0	91	0	91
Actual Budgeted Revenues & Transfers-In	0	1,396,514	0	1,396,514
Estimated Revenues & Transfers-In	0	2,251,337	0	2,251,337
Budgeted Revenues & Transfers-In Over (Under) Estimated	$ 0	$ (854,823)	$ 0	$ (854,823)
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS				
Charges for Services		$ 173,468		$ 173,468
Grants, Contracts, Donations and Abandonments		(19,322)		(19,322)
Federal		(1,008,969)		(1,008,969)
Budgeted Revenues & Transfers-In Over (Under) Estimated	$ 0	$ (854,823)	$ 0	$ (854,823)

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment.
Additional information is provided in the notes to the financial schedules beginning on page A-9.

MONTANA STATE LIBRARY COMMISSION
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	NATURAL RESOURCE INFO SYSTEM	STATE LIBRARY OPERATIONS	Total
PROGRAM EXPENDITURES & TRANSFERS-OUT BY OBJECT			
Personal Services			
Salaries	$ 347,723	$ 764,295	$ 1,112,018
Other Compensation		1,225	1,225
Employee Benefits	82,550	210,721	293,271
Total	430,273	976,241	1,406,514
Operating Expenses			
Other Services	273,115	463,201	736,316
Supplies & Materials	48,270	80,494	128,764
Communications	14,951	36,661	51,612
Travel	11,355	57,078	68,433
Rent	3,600	218,634	222,234
Repair & Maintenance	18,453	46,754	65,207
Other Expenses	8,863	49,510	58,373
Total	378,607	952,332	1,330,939
Equipment & Intangible Assets			
Equipment	21,707	132,000	153,707
Total	21,707	132,000	153,707
Grants			
From State Sources		594,705	594,705
From Federal Sources	9,596	106,693	116,289
Total	9,596	701,398	710,994
Total Program Expenditures & Transfers-Out	$ 840,183	$ 2,761,971	$ 3,602,154
PROGRAM EXPENDITURES & TRANSFERS-OUT BY FUND			
General Fund	$ 44,288	$ 1,664,059	$ 1,708,347
Special Revenue Fund	795,895	1,097,912	1,893,807
Total Program Expenditures & Transfers-Out	840,183	2,761,971	3,602,154
Less: Nonbudgeted Expenditures & Transfers-Out	4,228	48,532	52,760
Prior Year Expenditures & Transfers-Out Adjustments	109	(2,360)	(2,251)
Actual Budgeted Expenditures & Transfers-Out	835,846	2,715,799	3,551,645
Budget Authority	1,359,296	3,349,719	4,709,015
Unspent Budget Authority	$ 523,450	$ 633,920	$ 1,157,370
UNSPENT BUDGET AUTHORITY BY FUND			
General Fund	$ 730	$ 13,818	$ 14,548
Special Revenue Fund	522,720	620,102	1,142,822
Unspent Budget Authority	$ 523,450	$ 633,920	$ 1,157,370

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.

MONTANA STATE LIBRARY COMMISSION
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

PROGRAM EXPENDITURES & TRANSFERS-OUT BY OBJECT	PROGRAM (SUB-CLASS) NOT SPECIFIED	NATURAL RESOURCE INFO SYSTEM	STATE LIBRARY OPERATIONS	Total
Personal Services				
Salaries		$ 407,547	$ 714,044	$ 1,121,591
Other Compensation			2,200	2,200
Employee Benefits		103,127	198,584	301,711
Total	$ 0	510,674	914,828	1,425,502
Operating Expenses				
Other Services	122,889	289,642	425,058	837,589
Supplies & Matenals		45,868	66,055	111,923
Communications	92	13,316	34,662	48,070
Travel		13,088	74,972	88,060
Rent		3,700	214,921	218,621
Repair & Maintenance		21,517	48,850	70,367
Other Expenses		9,738	46,461	56,199
Total	122,981	396,869	910,979	1,430,829
Equipment & Intangible Assets				
Equipment		13,351	118,712	132,063
Total	0	13,351	118,712	132,063
Grants				
From State Sources			595,130	595,130
From Federal Sources		1,903	35,384	37,287
Total	0	1,903	630,514	632,417
Debt Service				
Installment Purchases		14,564	14,564	29,128
Total	0	14,564	14,564	29,128
Total Program Expenditures & Transfers-Out	$ 122,981	$ 937,361	$ 2,589,597	$ 3,649,939
PROGRAM EXPENDITURES & TRANSFERS-OUT BY FUND				
General Fund		$ 57,232	$ 1,638,608	$ 1,695,840
Special Revenue Fund	$ 122,981	880,129	950,989	1,954,099
Total Program Expenditures & Transfers-Out	122,981	937,361	2,589,597	3,649,939
Less: Nonbudgeted Expenditures & Transfers-Out	122,981	0	0	122,981
Prior Year Expenditures & Transfers-Out Adjustments	0	(1,503)	(1,486)	(2,989)
Actual Budgeted Expenditures & Transfers-Out	0	938,864	2,591,083	3,529,947
Budget Authority	0	1,256,432	3,377,694	4,634,126
Unspent Budget Authority	$ 0	$ 317,568	$ 786,611	$ 1,104,179
UNSPENT BUDGET AUTHORITY BY FUND				
General Fund		$ 46	$ 141,466	$ 141,512
Special Revenue Fund		317,522	645,145	962,667
Unspent Budget Authority	$ 0	$ 317,568	$ 786,611	$ 1,104,179

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment.
Additional information is provided in the notes to the financial schedules beginning on page A-9.

Montana State Library Commission

Notes to the Financial Schedules for the Two Fiscal Years Ended June 30, 2001

1. Summary of Significant Accounting Policies

Basis of Accounting

The Montana State Library Commission (Library) uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental and Expendable Trust Funds. In applying the modified accrual basis, the commission records:

Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.

Expenditures for valid obligations when the department incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the Library to record the cost of employees' annual leave and sick leave when used or paid.

Expenditures may include: entire budgeted service contracts even though the Library receives the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

Basis of Presentation

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the state's accounting system without adjustment.

Accounts are organized in funds according to state law. Library funds in the audit period were:

Governmental Funds

General Fund - to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - to account for proceeds of specific revenue sources legally restricted to expenditures for specific purposes. Library Special Revenue Funds include the federal Library Services and Technology Act grants, allocations of Coal Severance Taxes, Resource Indemnity Trust Fund earnings, and Natural Resource Information System contracts with federal, state, and private entities.

Fiduciary Funds

Trust and Agency Funds - to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. The Library fiduciary fund is an Expendable Trust Fund to account for donations made to the Talking Book Library collection.

2. General Fund Balance

The negative fund balance in the General Fund does not indicate overspent appropriation authority. Each agency has authority to pay obligations from the statewide General Fund within its appropriation limits. Each agency expends cash or other assets from the statewide fund when it pays General Fund obligations. Outstanding liabilities of the Library exceed the assets placed in the fund, resulting in negative ending General Fund balances for each of the two fiscal years ended June 30, 2000 and June 30, 2001.

3. Expenditure Program (Sub-Class)

As part of the implementation of a new accounting system in fiscal year 2000, state officials determined that a sub-class designation would identify the program to which an expenditure should be charged. State officials did not require non-budgeted expenditure transactions to be identified to a sub-class. The program designations in the Schedules of Total Expenditures & Transfers-Out are based on the sub-class designation used when the expenditures were recorded. The accounting system did not require agencies to code non-budgeted accounts with a subclass code identifying the expenditure program in which the activity occurred until September 2000. This new edit requires that all expenditure transactions entered through the general ledger include a subclass

value. This non-budgeted activity is included in the column titled "Program (Sub-Class) Not Specified" on the Schedule of Total Expenditures & Transfers-Out for fiscal year 2000.

4. Direct Entries to Fund Balance

Direct entries to fund balance in the General and Special Revenue fund types in fiscal years 2000 and 2001 include entries generated in SABHRS to reflect the flow of resources within individual accounts shared by separate agencies. For the Library, these accounts include the General Fund and the Resource Indemnity Trust and Coal Severance Tax accounts in the Special Revenue Fund. Revenue collected is recorded by another agency and the Library has appropriation authority to spend from the accounts.

MONTANA State Library

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February 14, 2002

Scott Seacat
Legislative Auditor
State Capitol
P.O. Box 201705
Helena, MT 59620-1705

I thank the Legislative Audit staff for their assistance and work performed on the State Library Commission Financial-Compliance Audit for the two fiscal years ending June 30, 2001. We value and appreciate their assistance and advice.

The State Library Commission will be delighted and proud that your report shows that our agency is performing at an acceptable level of accountability and accuracy. We will always strive to meet this standard.

Should you have any questions concerning the Library's response, please feel free to contact me.

Sincerely,

Karen Strege
State Librarian

KS:kms

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